



PSC NEWS

Missouri Public Service Commission

Contact: Kevin Kelly

Phone: (573) 751-9300

Governor Office Building, Suite 900

FY-04-192

APPROXIMATELY \$1.8 MILLION IN REFUNDS HEADED TO AQUILA, INC. d/b/a AQUILA NETWORKS-MPS NATURAL GAS CUSTOMERS

Jefferson City (April 30, 2004)---The Missouri Public Service Commission has granted a waiver to Aquila Inc. d/b/a Aquila Networks-MPS which authorizes Aquila to provide refunds in the form of bill credits to its residential customers for refunds Aquila has received from suppliers. This refund, approximately \$1.8 million, comes from cases involving Kansas ad valorem taxes unlawfully collected during the period of 1983 through 1988 by natural gas producers from Southern Star Central Gas Pipeline and Panhandle Eastern Pipe Line customers. The Federal Energy Regulatory Commission (FERC) recently approved settlements which totaled approximately \$30.3 million in refunds headed to Missouri natural gas customers of Missouri Gas Energy, Union Electric Company (d/b/a AmerenUE), Aquila Networks-MPS, Atmos Energy and City Utilities of Springfield.

The Aquila Networks-MPS refund, a bill credit for residential customers, will be identified on the residential customer's bill as a "Pipeline Refund Credit" and is expected to appear on bills in either the current or the next billing cycle. The bill credit will be based upon a residential customer's usage between March 1, 2003 and February 29, 2004. For Northern System residential customers of Aquila Networks-MPS, the bill credit will be approximately 14 cents per Mcf (per 1,000 cubic feet), or an average bill credit of approximately \$11. For Southern System residential customers, the bill credit will be approximately 37 cents per Mcf, or an average bill credit of approximately \$28.

The PSC Staff recommended Aquila's request for a waiver to issue bill credits be approved. Staff noted that the bill credits would allow customers to receive the benefit of the refund immediately, rather than through adjustments to future PGA (Purchased Gas Adjustment) rates.

BACKGROUND: In 1983, Colorado Interstate Gas (CIG) filed a case before the FERC objecting to the inclusion of Kansas ad valorem (property) taxes in the price paid for natural gas. In that case, the FERC allowed the producers to recover the Kansas ad valorem taxes from interstate pipelines, who then in turn were permitted to pass those costs through to their customers.

The case was appealed to the courts, and in 1988, the federal appeals court remanded the issue to the FERC. At the urging of the PSC, in 1994, the FERC reached a decision ordering Kansas producers to refund overcharges, plus accrued interest, for the period of July 1988 through December 1993. Missouri consumers received approximately \$13 million in refunds in late 1994 and early 1995 for overcharges occurring during 1988-1993.

Customers then appealed the FERC's decision to limit refunds to overcharges occurring after July 1988. In late 1996 and early 1997, the courts determined additional refunds, including accrued interest, needed to be made for overcharges collected during the October 1983-June 1988 time period. Missouri customers initially received \$7.3 million during 1998-99 and \$1.5 million during 2000-01 for refunds. The recent settlements also pertain to refunds for overcharges associated with this earlier time period.

Aquila, Inc. d/b/a Aquila Networks-MPS serves approximately 32,000 natural gas customers in its Southern System (Pettis, Platte, Cooper, Ray, Henry, Saline, Johnson, Vernon and Lafayette) and approximately 11,200 natural gas customers in its Northern System (Livingston, Grundy, Chariton, Howard and Linn).

---0---